

Editorial

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In the first article of this issue, H  l  na Beltran-Lopez, Pierre Giot, and Joachim Grammig investigate commonalities in the order book for German DAX stocks. Using principal component analysis, they analyze the heterogeneity of liquidity providers in an open order book market. They also use a cross-sectional analysis to identify liquidity commonalities.

In the second paper, a two-component model for volatility is proposed by Jie Zhu. It is based on a persistent component and a zero-mean volatile component. Using data from ten Asian stock markets, the relationship between the volatility components and stock returns is investigated.

The third paper, authored by Andros Gregoriou, Christos Ioannidis, and Sugata Ghosh, looks at the relationship between transaction cost and asset pricing. Providing empirical evidence from ten stock markets, the authors argue that transaction cost can help explain the equity premium puzzle and should therefore be included in asset pricing models.

In the fourth paper of this issue, Marcus Deetz, Thorsten Poddig, Irina Sidorovitch, and Armin Vermaz investigate the performance of conditional multi-factor models in asset allocation. On the basis of out-of-sample evidence from the German stock market, the authors conclude that active allocation strategies can provide superior investment performance compared to buy-and-hold strategies.

The ‘‘Perspective’’ paper of this issue is authored by Bernd Scherer and discusses the asset allocation problem for sovereign wealth funds. In particular, he addresses the allocation problem for oil-rich countries in a multi-period model.

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This issue also includes two book reviews. The first book review is written by Evert Wipplinger and discusses the book “Asset Pricing Theory” by Costas Skiadas. The second review is written by David Oesch and discusses the four-volume book “Market Risk Analysis” by Carol Alexander.

Finally, I would like to draw your attention to a call for papers in this issue. The Swiss Society for Financial Market Research is seeking submissions for its annual conference, taking place at SIX Swiss Exchange on March, 19, 2010. Deadline for submissions is October 25, 2009. We welcome your contribution!